



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2494 (1924)

March 12, 1992

SUBJECT: Proper Completion of Automated Form FmHA 431-2,
"Farm and Home Plan"

TO: State Directors, District Directors, and County
Supervisors

ATTENTION: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to emphasize the importance of completing the automated Form FmHA 431-2, "Farm and Home Plan," properly and accurately in connection with making and servicing Farmer Programs loans. The intended outcome is to ensure that, when developing the Farm and Home Plan for a new planning period, it is completed in sufficient detail to account for existing inventory and cash on hand. The Forms Manual Insert (FMI) must be followed explicitly for this purpose.

COMPARISON WITH PREVIOUS AN:

This AN replaces AN No. 2306(1924) dated June 13, 1991, that has been previously rescinded.

IMPLEMENTATION RESPONSIBILITIES:

National Office Coordinated Assessment Reviews and Credit Quality Reviews continue to indicate weaknesses exist in the preparation of Form FmHA 431-2, "Farm and Home Plan," when developing plans of operation for loan making and loan servicing purposes. The following weaknesses have been noted:

1. Plans are not signed and dated by the borrower and the County Supervisor.
2. The financial portion of the Automated Plan is not signed and dated by the borrower.

EXPIRATION DATE: March 31, 1993

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1924-B



Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

3. All assets and/or debts are not properly reflected in Table A of the Farm and Home Plan.
4. The net worth section of Table A is not properly completed to reflect the results of the annual analysis as it relates to the change in the borrower's net worth.
5. Rental and lease information is not entered into Table B, when applicable.
6. Table C is not properly prepared to address key farm management practices and improvements necessary to carry out the proposed plan of operation.
7. Annual analysis is not planned in Table C.
8. Commodity prices, commodity/livestock yields, and farm operating and family living expenses are not based upon past actuals. Section 1924.57(d) of FmHA Instructions 1924-B addresses the documentation required.
9. Tables F, G, H, I, and J are not completed per the FMI. Totals in Tables F, G, and H are not brought forward to proper columns in Table I and J.
10. All debts due and to be paid during the annual production cycle.
11. Mathematical errors.

In addition to the 11 items listed above, it is important that a proper accounting of the preceding year's commodities be made when completing a year-end analysis and when developing any required plan of operation for the following year. See FmHA Instruction 1924-B, Section 1924.57 (b) for a list of situations requiring a Form FmHA 431-2. The new plan should account for all cash on hand and inventory that will be sold in the planning period and clearly document how the proceeds from the sale will be used. The attached Farm and Home Plan is an example of a borrower with cash on hand and commodities being held for sale. In the example, Table A Summary illustrates how to document the planned use of proceeds from cash on hand and commodities held for sale.

PERIOD COVERED BY PLAN

In situations where crops or livestock are raised or harvested in one calendar year and sold in the following calendar year, it is permissible for the planned period to exceed 12 months.

Section 1924.57(b) of FmHA Instruction 1924-B indicates that Forms FmHA 431-2 and 1962-1 will cover the production/marketing cycle of the borrower's operation. The intent is to allow for a planning period in excess of 12 months, i.e., January 1, 1992, to July 1, 1993, to include the marketing of the crop(s) or livestock raised during the calendar year.

By utilizing a planned period in excess of 12 months, when necessary, the following year's Form FmHA 431-2 and 1962-1 can be developed during the period of January through March 1992 prior to expiration of the existing 1962-1 which covered the period of January 1, 1991, through July 1, 1992. Such a planning period results in there always being a current Form FmHA 1962-1 in the borrower's file at all times, and provides for a complete accounting of the 1991, 1992, etc. crop(s) or livestock produced for sale.

If you have any questions, please contact Arthur V. Hall, Director, Farmer Programs Loan Servicing and Property Management Division, at 720-4572.

ANY REVISIONS OR MODIFICATIONS TO THIS ADMINISTRATIVE NOTICE THAT YOU WISH TO PUBLISH AS A STATE DIRECTIVE, MUST BE APPROVED BY THE ASSISTANT ADMINISTRATOR FARMER PROGRAMS BEFORE IT IS RELEASED FOR IMPLEMENTATION IN YOUR STATE. THE ONLY EXCEPTION TO THIS REQUIREMENT IS WHEN THE REVISION OR MODIFICATION IS NECESSARY FOR COMPLIANCE WITH THE STATE LAW.



LA VERNE AUSMAN
Administrator

Attachment

FmHA 431-2
(Rev. 2-89)U.S. Department of Agriculture
Farmers Home AdministrationPERIOD COVERED BY PLAN: From January 1, 1992 to December 31, 1992
NAME OF APPLICANT/BORROWER
Joe Borrower

FARM AND HOME PLAN

CASE NUMBER
123-45-6789DATE OF PLAN
January 2, 1992ACRES OWNED
TOTAL 130 CROP (75)

A. BALANCE SHEET

CURRENT FARM ASSETS				\$ VALUE	CURRENT FARM LIABILITIES				\$ AMOUNT
Cash: Savings: (\$) Checking (\$ 2,000)				2,000 (A)	Accounts and Notes Payable (Creditor & Due Date)				Past Due
Other Invest: (Time Cert \$) (Other \$)									
Accounts and Notes Receivable					Co-op 1991 Operating Ex.				\$10,000 \$10,000 (A2)
Crops and Feed	Units	Value Per Unit							
Soybeans	3000	5.50/bu.		16,500 (A)					
					Cash Rent 1991 balance				5,000 5,000 (A2)
					Balance Due				
Livestock to be sold	Units	Unit Weight	Value Per Unit						
Calves	40	400		13,600 (A)					
					CCC Loan: (Security) (Due Date)				
					Current Portion of Principal Due on:				
					Intermediate Liabilities				3,000 (K)
					Long Term Liabilities				2,000 (K)
Growing crops	Acres	Cost/Acre			Accrued Interest on: *				
					Accounts and Notes Payable				
					Intermediate Liabilities				2,000 (K)
					Long Term Liabilities				8,000 (K)
					Accrued Taxes				-0-
Supplies & Prepaid Expenses					Income Tax & Social Security				
					Other (judgments, liens, etc.)				
					Accrued Rent/Lease Payments				
TOTAL CURRENT FARM ASSETS ▶				\$32,100	TOTAL CURRENT FARM LIABILITIES ▶				\$30,000
INTERMEDIATE FARM ASSETS					INTERMEDIATE FARM LIABILITIES (portion due beyond 12 months)				
Accounts & Notes Receivable beyond 12 months					Creditor				Due Date Int. Rate Amount Delinquent
Breeding Livestock	Units	Value Per Unit			FmHA 44-01				5 5,000 \$38,000
Cows	70	650		\$45,500					
Bulls	3	1000		3,000					(A2)
Machinery, Equipment, Vehicles				30,000					
Cash Value, Life Ins. (Face Amt. \$)					CCC Grain Reserve				
CCC Grain Reserve: (Qty.) (Value/Unit)					Facilities				Pmt. \$ -
Coop Stock					Loan Secured by Life Insurance				
Other					Other				
TOTAL INTERMEDIATE FARM ASSETS ▶				78,500	TOTAL INTERMEDIATE FARM LIABILITIES ▶				\$38,000
LONG TERM FARM ASSETS (Farm Real Estate)					LONG TERM FARM LIABILITIES (Portions due beyond 12 months)				
Total Acres	Date Purchased	Cost			Creditor				Due Date Int. Rate Amount Delinquent
130	1980	100,000		130,000	F.L.B.				10 \$78,000
Coop Stock									
Equity in Partnerships/Corporations/Joint Operations/Cooperatives									
Other					Other				
TOTAL LONG TERM FARM ASSETS ▶				130,000	TOTAL LONG TERM FARM LIABILITIES ▶				78,000
TOTAL FARM ASSETS ▶				\$240,600	TOTAL FARM LIABILITIES ▶				\$146,000

Public reporting burden for this collection of information is estimated to average 2 1/4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, D.C. 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0061), Washington, D.C. 20503.

D. CROPS, PASTURE, ETC. — PRODUCTION AND SALES

3

PLANNED							ACTUAL						
CROPS, PASTURE, SET-ASIDE PROGRAM PAYMENTS, ETC.	ACRES	YIELD PER ACRE	OPERATOR'S SHARE				ACRES	YIELD PER ACRE	OPERATOR'S SHARE				CASH INCOME
			UNITS FOR:			DOLLAR SALES			UNITS				
			FARM USE	SALE	@				FARM USE	HELD FOR SALE	SOLD	@	
1. Soybeans	400	30	-0-	12000	5.75	\$69,000							
2. Pasture-Spring	200	N/A				-0-							
3. Pasture - Hay	75	2T	75T	75T	60	4,500							
4.													
5.													
6.													
7.													
8.													
9.													
10.													
11. FARMSTEAD, GARDEN AND ROADS													
12. TOTAL (ENTER TABLE J, LINE 1)						\$73,500							

E. LIVESTOCK AND PRODUCTS — PRODUCTION SALES

PLANNED							ACTUAL						
LIVESTOCK AND PRODUCTS AND WOOL-MOHAIK PROGRAM PAYMENTS	NO.	PROD. PER ANIMAL	OPERATOR'S SHARE				NO.	PROD. PER ANIMAL	OPERATOR'S SHARE				CASH INCOME
			UNITS FOR:			DOLLAR SALES			UNITS				
			FARM USE	SALE	@				FARM USE	HELD FOR SALE	SOLD	@	
1. Beef Cows	70	.9	2	61	450# @.86	\$23,607							
2. Cull Cows	2			2	\$350 hd.	700							
3.													
4.													
5.													
6.													
7.													
8.													
9.													
10. MILK (LBS.)													
11. (DOZ.)													
12. TOTAL (ENTER TABLE J, LINE 2)						\$24,307							

F. CASH FAMILY LIVING EXPENSES	OTHER CREDIT NEEDED	FmHA CREDIT NEEDED	PLANNED EXPENSES	ACTUAL EXPENSES	H. CAPITAL EXPENDITURES	OTHER CREDIT NEEDED	FmHA CREDIT NEEDED	PLANNED EXPENSES	ACTUAL EXPENSES
HOUSEHOLD OPNG			\$ 4000					1200	
FOOD INCL. LUNCHES			500						
CLOTH., PERS. CARE			1200						
HEALTH			1500						
HOUSE REPAIR AND SANITATION			500						
SCHOOL			1000						
CHURCH, RECREATION			1600						
PERS. INSURANCE			2000						
TRANSPORTATION			1200					1200	
FURNITURE & OTHER			500						
TOTAL ▶			\$14000						
G. CASH FARM OPERATING EXPENSES	OTHER CREDIT NEEDED	FmHA CREDIT NEEDED	PLANNED EXPENSES	ACTUAL EXPENSES	DEBTS REFINANCED (TABLE A)				
					TOTAL ▶				
HIRED LABOR		5000	5000		I. CREDIT FOR:	OTHER	FmHA	PLANNED	ACTUAL
MACHINERY REPAIR		5000	5000		FAMILY LIVING		-0-	-0-	
FARM BUILDING & FENCE REPAIR			500		FARM OPERATING		60000	60000	
INTEREST			16000		CAPITAL EXPENDITURES		-0-	-0-	
RENT		9000	12000		TOTAL ▶		60000	60000	
FEED		5000	5000		J. SUMMARY OF YEAR'S BUSINESS				
SEED		6000	6000					PLANNED	ACTUAL
FERTILIZER		7000	7000		1. CROP INCOME (Table D)			73500	
PESTICIDES & SPRAY MATERIALS		6000	6000		2. LIVESTOCK INCOME (Table E)			24307	
OTHER SUPPLIES			500		3. CONSERVATION PAYMENTS AND OTHER FARM INCOME			500	
LIVESTOCK EXPENSE		2500	2500		4. TOTAL CASH FARM INCOME (1, 2 and 3)			98307	
MACHINERY HIRE					5. CASH FARM OPERATING EXPENSES (Table G)			80050	
FUEL AND OIL		6000	6000		6. NET CASH FARM INCOME (4 Minus 5)			18257	
PERSONAL PROP. TAX					7. NON-FARM INCOME			-0-	
REAL ESTATE TAXES		2600	2600		8. TOTAL NET CASH FARM & NON-FARM INCOME (6 Plus 7)			18257	
WATER CHARGES		700	750		9. CASH FAMILY LIVING EXPENSES (Table F)			14000	
PROPERTY INSURANCE		2000	2000		10. NET CASH INCOME (8 Minus 9)			4257	
AUTO & TRUCK EXPENSE		2000	2000		11. CASH CARRY-OVER (Page 2, Line 3)			12100	
UTILITIES		1200	1200		12. LOANS AND OTHER CREDIT (Table I)			60000	
					13. INTEREST (Table G)			16000	
					14. TOTAL AVAILABLE (10, 11, 12 and 13)			92357	
CURRENT OPNG. BILLS (TABLE A)					15. CAPITAL EXPENDITURES (Table H)			1200	
TOTAL ▶		60000	80050		16. BALANCE AVAILABLE (14 Minus 15)			91157	
					17. GROSS CASH INCOME (14 Plus 7)			98307	

K. DEBT REPAYMENT

TO WHOM OWED	AMOUNT DUE THIS YEAR (PRIN. AND INT.)	PLAN			ACTUAL AMOUNT PAID
		PRIN. AND INT. TO BE PAID	DATE	SOURCE OF FUNDS	
FmHA 44-01	5000	5000	11/1/92	Livestock Sales	
FLB	10000	10000	11/1/92	Crop Income and Livestock Sales	
OP Loan	66000	66000	11/1/92	Crop Income	
			12/92	Crop and Livestock Income	
INCOME AND SOCIAL SECURITY TAXES	5000	5000			
TOTAL ▶	86000	86000			

I agree to follow this plan and to discuss with the County Supervisory any important changes that may become necessary. This instrument is a prospective plan only and does not release the security interest of the government in any security referred to in this plan.

"I RECOGNIZE THAT MAKING ANY FALSE STATEMENT ON THIS FARM AND HOME PLAN OR ANY OTHER LOAN DOCUMENT MAY CONSTITUTE A VIOLATION OF FEDERAL CRIMINAL LAW."

Signature of Applicant/Borrower

Date

Signature of County Supervisor

Date